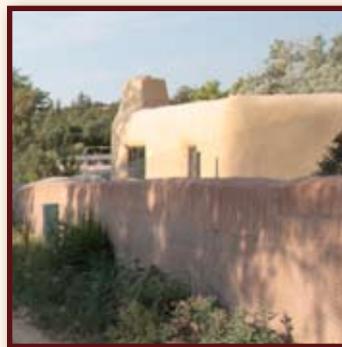




Common Threads

Desirable communities woven
by those willing to pay more
for a high quality of life



Rebecca Bluestone moved to Santa Fe for love. Not long after graduating from Oklahoma State University, Bluestone left the family ranch for the East Coast, armed with her degree in humanities. She had always loved art, but couldn't draw very well and was told she wasn't artistic.

After working some odd jobs, Bluestone visited New Mexico's capital city to attend a two-week tapestry weaving workshop taught by a renowned Hopi Indian artist. She fell in love with "the spiritual geography of the Southwest," and her future husband, Robert, a guitarist. Both have kept her in Santa Fe for the past 21 years.

The area "really feeds my work," she says. Bluestone's tapestries, which are displayed in museums, universities and public buildings, feature subtle color graduations and geometric designs. Her style is simple but vivid; precise yet mysterious.

Inspired by what lay outside her studio doors—green mountainsides, blue sky and red desert—Bluestone knows their livelihoods would not be the same if she and Robert lived absent of the amenities the city of about 64,200 offers them.



PHOTO BY TOBY JORRIN

REBECCA BLUESTONE IS A CONTEMPORARY ABSTRACT ARTIST whose technique is influenced by the Southwest and Native American cultures, among others. Santa Fe “really feeds my work,” Bluestone says.

“I couldn’t imagine leaving here,” she says.

Like Bluestone, U.S. residents more and more are moving to places offering a high quality of life. And they’re willing to pay more to live there, says Jordan Rappaport, a senior economist with the Federal Reserve Bank of Kansas City, who recently examined the importance of natural and man-made amenities in population growth.

“Simply put, people are willing to go where their jobs may not be as good in order to be in a more desirable place that often costs more,”

Rappaport says. “We’re richer as a society and we can care about things like living some place that we think of as nice.”

Trading consumption

Centuries ago, people’s primary concern was daily survival, but today, we have more luxuries than those before us.

Rappaport’s research shows that a metro area with high amenities—such as good weather, recreation or nightlife—can grow as much as several percentage points faster per year than an area without the same qualities. Often these

areas already have a high population density.

For example, between 1950 and 2000, Miami, Orlando and Phoenix each grew by an annual average of more than 4 percent. Tampa, San Diego and Austin each grew more than 3 percent. This is more than double the annual average growth among medium and large metro areas (150,000 people or more).

“We’re willing to sacrifice some of our consumer goods to live in a nice place,” Rappaport says. “But really, it’s still a form of consumption. Rather than cars or flat-screen TVs, we’re paying to live where the winters are mild and summers are cool, or where we’re near the ocean or mountains.”

regrets even though they had to leave behind a new boat and the convertible sports car is no longer drivable year-round.

It’s the blend of metropolitan and recreation that draws people to the Mile High City, says Kristal Kraft, a real estate broker associate, who for 19 years has assisted clients relocating there, often from the coasts. The cost of living, which is lower than many coastal metro areas, also can be a consideration. But most high-amenity metros such as Denver or resort towns such as Aspen can be expensive. Regardless, a steady in-migration shows people are willing to pay to live there.

Many portions of the Tenth Federal Reserve

“ **For many, a balance between a high quality of life and low housing costs determines their ideal place to live.** ”

The draw to places with perceived high quality of life is not limited to any one demographic, such as retirees migrating to warm weather or young adults seeking a vibrant city. In general, individuals implicitly are choosing to spend an increasing share of their rising wealth on quality of life.

Although the Zavoda family saw a decrease in income initially, they say they got a lot more than they gave up when they left the Fort Lauderdale area last year.

After too many sweltering Florida summers, Shawn, 36, and Arelis, 33, mentally pulled out a map to scour the country for the perfect place to relocate. They wanted an environment full of outdoor activities, but also one that was conducive to raising 1-year-old Arianna and the baby they’re expecting this fall.

Because Shawn operates a software company from home and Arelis’ career as a pediatrician is mobile, their considerations were more recreational than professional and included: snow skiing, white water rafting and hiking.

Denver topped the list, and after more than a year living there, the Zavodas have no

District, which includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico, are more challenged when it comes to attracting new residents. According to U.S. Census data, most states in the District have grown less than the United States as a whole, which was 6.4 percent from 2000 to 2006. The two exceptions in the District are Colorado and New Mexico, which increased in population 10.5 percent and 7.5 percent, respectively.

But as homes continue to be more important to people than ever before, this region and its lower housing costs have an advantage over other areas.

“For many, a balance between a high quality of life and low housing costs determines their ideal place to live,” Rappaport says.



Amenities vs. housing

In 2006, CNNMoney.com ranked the 10 best big cities in the United States. On the list: Colorado Springs, Austin, San Diego and ... Wichita, Kan., which came in at No. 9, just ahead of New York City.

The metro area of more than 590,000 people has no beaches or mountains, nor does it have a professional sports team or typical tourist attractions. But with low housing costs, short commutes and thousands of well-paying aerospace industry jobs, it's no surprise Wichita made the cut, says Janet Harrah, director of the Center for Economic and Business Research at Wichita State University.

"I think for most Midwestern cities, they either come for a job or to go to school," she

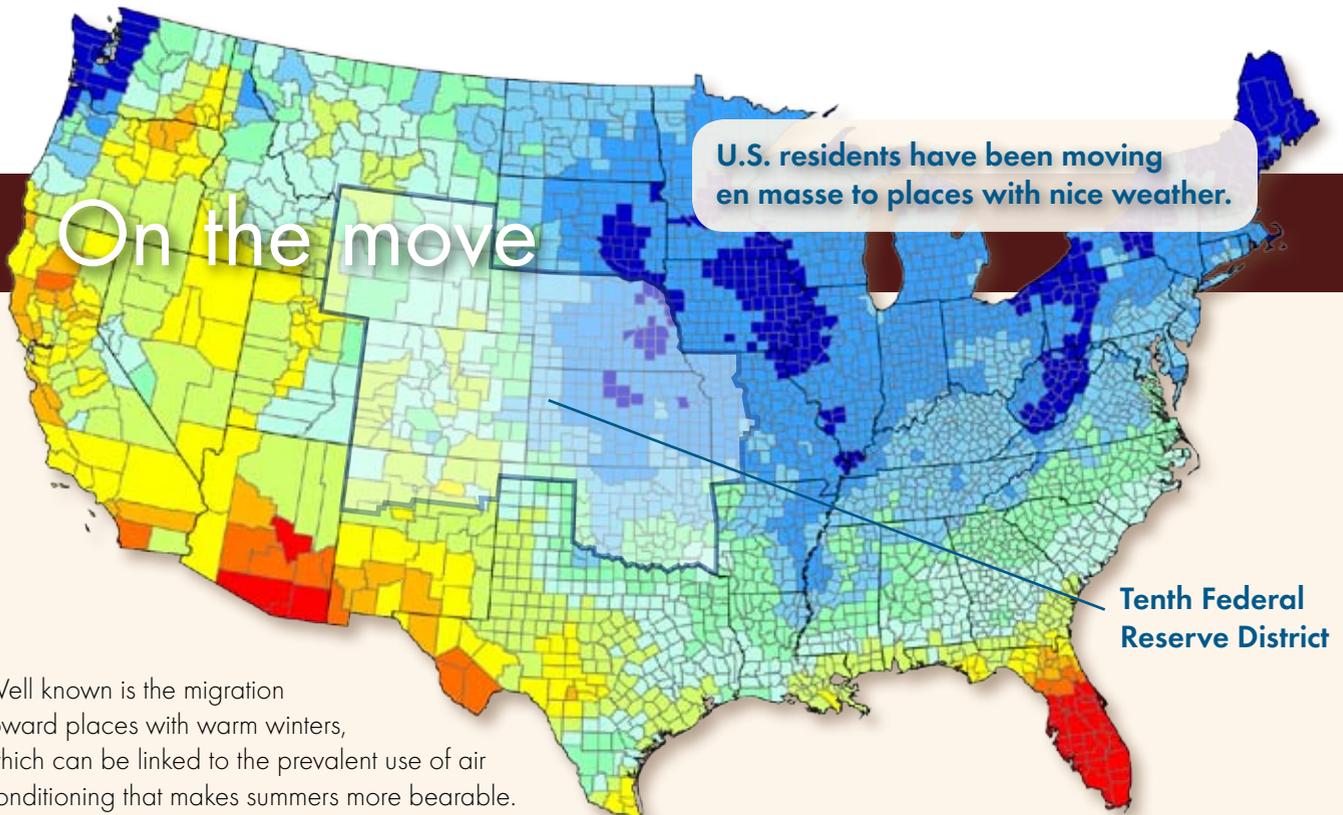
says. "What keeps people here is the quality of life."

Harrah said she moved to Wichita to attend graduate school 20 years ago, adding, "It's not that I haven't had other opportunities. I like it here, so I've stayed."

Initially attracting people to this region can be difficult, she says.

"For most Midwestern cities, it's not that they have a bad image. They have no image," Harrah says. "If you can get them to come see what we have, then the sales job is easy."

In 2005, a grassroots organization in Nebraska launched the website MoveBackToNebraska.com to "bring sharp, talented and enthusiastic people back home" by matching professionals who formerly lived



On the move

U.S. residents have been moving en masse to places with nice weather.

Tenth Federal Reserve District

Well known is the migration toward places with warm winters, which can be linked to the prevalent use of air conditioning that makes summers more bearable. Notwithstanding the availability of this modern comfort, people also have been moving to places with cooler, less-humid summers. The movement to nice weather can't be explained solely by air conditioning, shifts in industry or by elderly migration. Instead, a large portion of weather-related moves appear to be the result of an increased value people are placing on climate. Mild winters and cool summers are being thought of as an amenity, likely due to increased wealth in general, says Jordan Rappaport, a senior economist with the Federal Reserve Bank of Kansas City.

For more information, see "Moving to nice weather," by Jordan Rappaport, at www.KansasCityFed.org/TEN.



This map shows the likely effects of winter and summer weather on annual population growth from 1970-2000.



PHOTO BY JOSHUA LAWTON

“WE’RE SO EXCITED ABOUT ALL THE NATURE STUFF HERE,” says Shawn Zavoda. He and his wife and daughter moved to Colorado from Florida to take advantage of the area’s year-round outdoor recreation, like skiing in the winter and hiking in the summer.

in the state with employment opportunities there. The state’s population of about 1.8 million has grown just 3.3 percent—half that of the United States as a whole—from 2000 to 2006, according to U.S. Census data.

In contrast, counties with centers within 50 miles of ocean coast on average grew 0.4 percent faster per year than noncoastal locations from 1960 to 2000, according to Rappaport’s research. San Diego’s weather and coastal location contributed roughly 1 percent to its annual growth rate from 1970 to 2000. But because places with these characteristics are more expensive, people have to be willing to forgo more to live there.

However, just as people want to live in nicer places, so too do they want to live in bigger, better houses. And people are increasingly willing to give up buying more consumer goods in order to do so.

“As we’ve become wealthier in terms of consumer goods, we’ve also expanded the size of our houses,” Rappaport says. “Your ability to buy housing has become increasingly important compared to your ability to buy other tangible stuff—and that’s because we have a lot of stuff.”

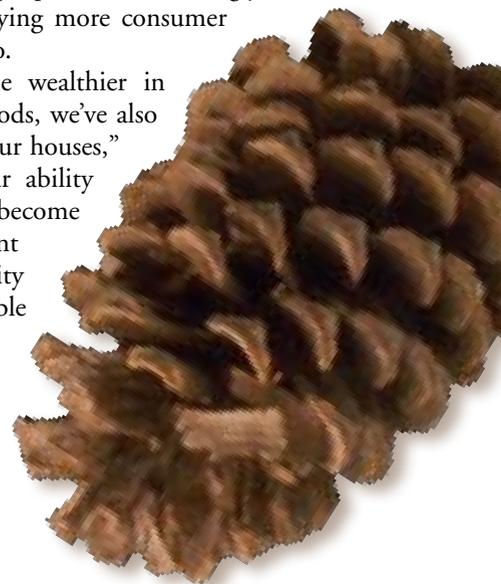




PHOTO BY TOBY JORRIN

SANTA FE'S natural and man-made amenities offer Robert and Rebecca Bluestone a nice lifestyle—hiking, gardening or attending cultural events in the city.

For those who want large homes, the Midwest may be more desirable than Manhattan and its pricey, cramped apartments. Housing costs can be as much as 20 percent of people's expenditures in large metros, Rappaport says, and upward of one-quarter in the San Francisco area.

In the Wichita metro area, the median home price in 2000 was \$82,180, according to U.S. Census data. In the New York City metro area, it was \$210,015.

"Why you'd want to live in New York

when you could live here," Harrah says, "I just don't get it."

Perhaps a sentiment shared by others. From 2000 to 2006, the Wichita metro area grew slightly faster than the New York City metro area, according to U.S. Census data.

New York City and large metros like it may be getting too crowded and expensive, Rappaport says, causing people to move elsewhere.

Trends

"The high growth rates of high-amenity

cities should eventually taper off,” Rappaport says. “Areas will be overwhelmed by people who moved there and these cities will top off when they become too expensive and too congested.”

The migration to high-quality locales is strengthened if the cities are not yet crowded, possibly because people’s tastes have changed with respect to what makes a place nice or possibly because technology has made certain places better than they were previously. For example, air conditioning makes living in the desert—such as fast-growing Las Vegas—more attractive.

Another reason high-quality-of-life places may not be crowded is low productivity, meaning they are unattractive places for firms to locate.

places, is likely to continue. But the migration to these places probably will slow because of rising housing prices.

For example, the Boston metro grew just 1.4 percent from 2000 to 2006, according to U.S. Census data. Meanwhile, others such as the Phoenix and Tampa metro areas grew rapidly at 24.2 percent and 12.6 percent, respectively, during this same time period.

“These places will eventually be congested enough that people will stop moving there,” Rappaport says. “They’ll look elsewhere in search of high quality of life.”

That’s what Rebecca Bluestone did. Now she can’t imagine living in a densely populated area again.

“I don’t think I could go back to living on the coast,” she says.

“ Not surprisingly, relatively low housing costs coupled with high quality of living is a recipe for quick growth. ”

In contrast, a place with both high quality of life and high productivity tends to be crowded. As a result, places that combine these two positive attributes may nevertheless grow slower than average, Rappaport’s research suggests.

A city with lower productivity has a smaller population and, as a result, has lower housing prices. But if it’s a desirable place to live, people will move there more readily than somewhere with high productivity and high housing prices.

“Not surprisingly, relatively low housing costs coupled with high quality of living is a recipe for quick growth,” Rappaport says.

The high housing prices that are caused by people crowding into high-quality-of-life cities eventually discourages further migration there.

The broad-based technological progress that is making us wealthier, and in turn prompting migration to high-quality-of-life

The gridlock traffic, fast-paced life and urban landscape can’t compete with the “little sanctuary” that is her home and studio on a half-acre canyon in Santa Fe.

“I love it here.”

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BY BRYE STEEVES, SENIOR WRITER

FURTHER RESOURCES

“MOVING TO A HIGH QUALITY OF LIFE”

By Jordan Rappaport
www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.